

Message Text

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PAGE 01 ROME 06495 101747Z

62

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

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R 101700Z MAY 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 4733

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E.O. 11652: N/A

TAGS: ETRN, IT

SUBJ: CIVAIR - FOREIGN GOVERNMENT SUBSIDIES TO FOREIGN AIRLINES

REF: STATE 79306

1. ALITALIA IS GOVERNMENT CORPORATION; 76.54 PERCENT OF SHARES ARE OWNED BY GOI HOLDING COMPANY IRI (ITALIAN RECONSTRUCTION INSTITUTE). AS IRI COMPANY, ALITALIA HAS ACCESS TO GOI FUNDS. DURING 1973, HOWEVER, ALITALIA NEITHER BORROWED FUNDS FROM GOI INSTITUTIONS NOR RECEIVED GOI CAPITAL GRANT.

2. ALITALIA'S OPERATING LOSS WAS ABOUT \$12 MILLION ANNUALLY IN 1972 AND 1973 ; \$55 MILLION LOSS IS PROJECTED FOR 1974. IN THESE CIRCUMSTANCES, ALITALIA HAS INDICATED IT WILL SEEK GOI FINANCIAL ASSISTANCE. ALITALIA MANAGING DIRECTOR NORDIO CITES PAA/TWA REQUESTS FOR USG ASSISTANCE AS RATIONALE FOR ALITALIA SEEKING GOI ASSISTANCE.

3. ONLY SIGNIFICANT INDIRECT GOI ASSISTANCE RECEIVED BY ALITALIA IN 1973 WAS EXEMPTION FROM LANDING/TAKEOFF FEES AT ROME AIRPORTS (FUMICINO AND CAIAMPINO). FEES ARE 400 LIRE/TON UP TO 25 METRIC TONS AND 600 LIRE/TON OVER 25 METRIC TONS; THERE IS 50 PERCENT SURCHARGE FOR NIGHT OPERATIONS. BASED ON 1973 SCHEDULES AND MAXIMUM TAKEOFF WEIGHTS, AND ASSUMING 20 PERCENT

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PAGE 02 ROME 06495 101747Z

OF OPERATIONS SUBJECT TO NIGHT SURCHARGE, ALITALIA SAVED FOLLOWING

ON ITS INTERNATIONAL ROUTES:

A) ITALY-NORTH AMERICA:	\$1,025,000
B) ITALY-SOUTH AMERICA:	145,000
C) ITALY-FAR EAST-AUSTRILIA:	185,000
D) ITALY-MIDDLE EAST:	395,000
E) ITALY-AFRICA:	325,000
F) ITALY-EUROPE:	925,000
G) TOTAL:	\$3,000,000

4. CHARTER OPERATIONS TO/FROM ROME AIRPORTS COULD HAVE INVOLVED AS MUCH AS ANOTHER \$300,000 IN WAIVED LANDING/TAKEOFF FEES. TOTAL GOI ASSISTANCE TO ALITALIA IN 1973 IN FORM OF WAIVED LANDING/TAKEOFF FEES WAS PROBABLY ABOUT \$3.3 MILLION (CONVERTED AT RATE OF 625 LIRE - \$1 US).

5. EMBASSY UNABLE DETERMINE APPLICABLE LAW/REGULATIONS COVERING WAIVED LANDING/TAKEOFF FEES. LOCAL TWA REP BELIEVES A MR. GILMORE OF IATA TECHNICAL OFFICE IN GENEVA MAY HAVE RELEVANT CITATIONS. IN ANY CASE, WHEN NEW ROME AIRPORTS AUTHORITY COMMENCES OPERATIONS LATER THIS YEAR IT HIGHLY PROBABLY THAT ALITALIA WILL BE REQUIRED TO PAY LANDING/TAKEOFF FEES AT FUIMICINO AND CIAMPINO. VOLPE

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